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TAGS: [ENRG](#) [ECON](#) [SENV](#) [DR](#)

SUBJECT: NEW NATIONAL ENERGY COMMISSION PRESIDENT DOUBTS
ETHANOL PRODUCTION IN THE DR WOULD BE ECONOMICAL, FAVORS
2010 PILOT PROGRAM WITH IMPORTS

(U) Sensitive but Unclassified. Please Protect Accordingly.

11. (SBU) SUMMARY: Recently-appointed President of the National Energy Commission (CNE) Enrique Ramirez expresses a commitment to incorporating ethanol into the Dominican Republic's fuel equation, doubts that ethanol production within the country is economically feasible, and hopes to set up a pilot program in early 2010 using imported ethanol. In a 10/7 meeting with Emboffs, the Brazilian DCM and an expert from Brazil's Getulio Vargas Foundation, Ramirez added that he plans on developing a national energy strategic plan by July 2010. END SUMMARY.

12. (U) PolEcon Counselor and Econoff joined Brazilian DCM Glauber David Vivas and Getulio Vargas Foundation (FGV) Project Coordinator Cleber Lima Guarany in making a joint visit to new CNE President Ramirez to emphasize the U.S.-Brazil commitment to promote biofuels in the Dominican Republic (DR). Lima presented a four-phase project designed by the FGV to evaluate biofuel production potential in the DR. The project includes land evaluation, crop analysis, implementation strategies, an investment plan, and construction of a two million ton capacity sugar-to-ethanol refinery (greater than needed for the Dominican domestic market to take advantage of export opportunities). According to Lima, the FGV plans to open an office in Santo Domingo staffed by two permanent employees and up to 12 temporary analysts to flesh out the project and present the final report by June 2010. He noted that the FGV is engaged in similar analyses in Haiti, El Salvador, Jamaica, Guatemala, and St. Kitts and Nevis.

13. (SBU) Ramirez welcomed the U.S.-Brazilian cooperation on the production and use of biofuels in the DR, emphasizing his own personal commitment to promoting renewable energy sources, such as biofuels. The CNE President then made the following points:

-- legislation already exists authorizing, but not requiring, five-to-ten percent ethanol blend;

-- based on this legislation, early next year the CNE will seek to develop a pilot project using imported ethanol to introduce this blend at a few service stations in Santo Domingo;

-- this pilot project will help convince Dominicans of the benefits of using ethanol blends and will gradually be expanded until it extends nationwide;

-- he (Ramirez) just recently returned from an official trip to Brazil, where he toured sugarcane fields and ethanol refineries and came away greatly impressed by Brazil's progress in this field;

-- he also came away with doubts as to whether ethanol production in the DR from domestically produced sugarcane would be economically feasible, given the different economies of scale, the hilly nature of Dominican sugarcane fields, the low level of mechanization of sugarcane harvesting in the DR, and the lack of interest by domestic sugar producers such as the Vicini Group and La Romana;

-- "businessmen are in business to make money," and if profits cannot be made then one cannot expect private investment in the domestic ethanol industry (COMMENT: Ramirez seemed to be implying that there was little likelihood of GoDR financial subsidies for a nascent ethanol industry. END COMMENT);

-- nonetheless, he looks forward to working with the FGV team over the coming months and will consider the recommendations in its final report.

¶4. (SBU) Expressing extreme frustration with his predecessors, Ramirez complained that not a single alternative energy project has yet been implemented by the

GoDR. This, he said, led him to clean house on taking over the CNE, replacing the entire management team (including all CNE officials who participated in the development of the Organization of American States' (OAS) recently published study on "Technical Assistance for Biofuel Market Development in the Dominican Republic," funded by the USG). The previous team, he noted, also cleaned house, taking with it prior studies and reports. As a result, Ramirez asked for new copies of the FGV's first phase report and for the OAS study. Lima said he would provide a copy of the former, while Econoff subsequently emailed the OAS study to Ramirez.

¶5. (SBU) The GoDR lacks a long-term strategic energy plan and Ramirez said he intends to have one ready by July 2010. He also stated that he will seek congressional commitments to alternative, cleaner energies that are better for the environment. In addition, Ramirez floated the possibility of the U.S. and Brazil supporting a DR-based "Bio-energy Research Facility" with implied funding, research, and technology transfer. PolEcon Counselor asked if the DR had an institute or university laboratory engaged in bio-energy research from which experts could be recruited for such a facility. Ramirez admitted that there is no such research operation or expert cadre base in country.

¶6. (SBU) COMMENT: Ramirez appears to be fully committed to making a difference during his tenure at the CNE (he previously headed the DR's patent office for five years), including the introduction of alternative energy sources such as biofuels, particularly ethanol. His enthusiasm for ethanol is tempered, however, by the recognition that the development of a domestic ethanol industry does not appear at present to be economically feasible. The local sugar industry has made it clear that it is not prepared to move forward in investing in ethanol production without a guaranteed local market, presumably including significant government subsidies given the current high price of sugar on world markets. The GoDR is not in a fiscal position to offer such subsidies, particularly in light of its recently signed Letter of Intent with the International Monetary Fund. The Letter includes a commitment to maintain a primary deficit of 0.8 percent of gross domestic product in 2009, reducing this to zero in 2010, and generating a two percent surplus in 2011. END COMMENT.

LAMBERT